

Why Employers Should Consider Integrated Medical Programs to Manage Workers Compensation Costs

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Employers are in urgent need of a more cost-effective claims management solution. Companies can reduce their WC medical care expenditures by implementing a centralized approach to claims management.

To manage the complexities surrounding a workers compensation program and specifically the medical component of claims, employers retain vendor partners to handle bill review, case management and data management among the many other areas associated with the overall benefit process.

Each vendor has its own technology, people, and processes to attend to all these tasks, and when employers utilize multiple vendors to handle the various areas of a workers compensation claims process, it can make the overall claims approach more costly, cumbersome and less effective. Without a seamless flow of information across the claims process, such problems as bottlenecks, data inaccuracies, and other administrative inefficiencies are common.

An alternative is the use of a single third party claims administrator (TPA) with an integrated approach to medical programs which can encourage streamlined results and provide access to coordinated data across the workers compensation process. Through this unified approach, the various services and data provided by the parties engaged in the employee return to work objective – including physicians, hospitals, nurse case managers, pharmacies, physical therapists, insurance carriers, and claims adjusters – are integrated to permit more informed decisions focused on reducing claim duration and cost.

Medical care now represents 60 percent of the benefit dollar provided to injured workers nationally, up from 40 percent a quarter-century ago.¹ The consistent surge in price is correlated to progressively expensive medical tests, equipment, drugs, and physician services. Here are a few examples of these rising costs:

- Patients spent an average of \$44 per brand name medication in 2015, a 25 percent price increase in the previous five years.² During this period, the consumer price index (CPI) increased 8.7 percent by comparison, according to the Bureau of Labor Statistics.³

- When doctors dispense drugs, the cost is 60 percent to 300 percent higher than medicines distributed at retail pharmacies.⁴
- Americans pay \$858 on average for their prescriptions, compared to \$400 per person across 19 other industrialized nations.⁵
- Average annual salaries for nearly all physician specialties increased between 11 percent and 21 percent in 2016.⁶
- Forty-five percent of physicians mandated by law to digitize patient records have spent more than \$100,000 each to implement an electronic health record system.⁷
- The medical inflation rate has long outperformed and is expected to continue to outpace the rise in the CPI – not surprising given the constant flow of new and innovative medical technologies and equipment entering the marketplace.⁸

At the same time, employer expenses deriving from the medical care component of workers compensation claims are likely to rise, given U.S. government projections that medical care spending will grow at an average rate of 5.8 percent per year through 2025, 1.3 percent faster than the Gross Domestic Product.⁹

Given these alarming increases, employers are in urgent need of a more cost-effective claims management solution. The good news is companies can reduce their workers compensation medical care expenditures by implementing a centralized approach to claims management.

Utilizing a TPA that can provide an integrated claims program allows for improved information flow. By connecting all programs, people and sources of data together, a wealth of real-time information can be accessed, aggregated, and analyzed. Employers and their TPA partners are able to detect unusually lengthy claim durations, evidence of fraudulent and inaccurate healthcare provider billing, and other inflated costs, arming them to take actions to quickly resolve these issues.

This partnership with a TPA allows central oversight and also reduces the need for employers to select and monitor multiple vendors, as the TPA will be in a better position to choose qualified providers and help ensure high levels of performance.

Absent the centralized solution a TPA can offer, the information needed to efficiently identify wasteful medical procedures, skyrocketing drug expenses, and unusually long claim durations is buried in the data systems and processes of various vendor partners, impeding data analysis for actionable purposes.

Identifying Challenges

Bill review, case management, and data analysis; three components inherent in a traditional workers compensation claim, can produce dramatically improved results when accessed via an integrated claims management approach.

By integrating the actions and then accessing the varied data sets within these processes, this information can be aggregated to produce superior claims outcomes.

Bill Review

The value of working with a claims service provider with in-depth knowledge, expertise and cost saving strategies surrounding bill review cannot be overlooked in the marketplace today. Simply applying a fee schedule reduction to a bill is not enough for employers. They demand and deserve a partner who is going to not only provide the basics of bill review but also take this to the next level to look for accuracy, appropriateness and any additional opportunities for reductions.

Medical bills often contain medical coding errors and can contain unrelated or incorrect treatment records resulting in wasteful costs and inaccuracies. Since the bills are populated by hundreds of line items, it is extremely difficult to detect excessive and/or unnecessary



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medical care and treatments. A 2015 *New York Times* article stated that medical bills are “undecipherable and incomprehensible, even for experts to understand.”¹⁰

A robust system that performs comparisons of provider bills is needed to verify all charges fall within state mandated fee schedule guidelines. This system also must be able to detect bill duplication and other network coding errors to determine whether or not all charges being billed are truly related to an injured employees work related injury and treatment.

The latter can result in an exponential increase in workers compensation medical care and wage replacement payments as claims which stay open longer tend to have an increase in costs. A well rounded program which incorporates a stringent approach to bill review and connects nurse case management and data review is necessary to help control these and other claim costs, with the added benefit of allowing the claim adjuster to stay

focused on the injured workers recovery and ultimate closure of the case.

Case Management

Many employers and claim adjusters indicate the effectiveness of the nurse case manager is one of the most important elements of success in reducing workers compensation claims duration and medical care costs. The nurse case manager has the important responsibility of appraising the medical aspects of a claim to ensure the injured employee is provided effective medical treatment and needed services, while also providing information and reflecting care and concern for the injured employee, which can help minimize the fear and uncertainty as a result of the injury.

The nurse case manager must also interact with employers, insurers and claim adjusters regarding all aspects of the claim, including appropriate and timely care, savings opportunities within applicable certified occupational medicine preferred providers and coordinating return-to-work efforts.

This delicate task is compounded by the need to review data from the various parties engaged in the return-to-work process. This structured and unstructured data – doctor and adjuster notes, hospital reports, medical bills, and payments – typically reside in the parties' various systems, which are disconnected from each other.

If programs are all running separately between the nurse case manager, the TPA, employer, etc., these silos make it a laborious task for a case manager to expeditiously review the appropriateness of medical treatments and to work with the claim adjuster on appropriate next steps. Questions that arise, such as why a seemingly minor claim absorbed \$500 in pharmacy costs, or why an employee repeatedly visited an emergency room instead of making an appointment with a doctor, are difficult to resolve.

By integrating the various parties and programs together such as the Catastrophe nurse coordinating with the durable medical equipment (DME) program, or the pharmacy benefit management (PBM) program being integrated within the triage process – it allows for better overall control of the claim. Inquiries are much easier to perform, and responses to concerns are more immediately available. By taking this approach, the nurse is able to be far more effective with regard to the overall outcome of the injured employee.

Data Integration in Medical Programs

Employers are tasked with providing the best programs for their employees and results for their shareholders. It can be difficult to discern if they are achieving the best outcomes when there is data coming from multiple sources, at different times, with different parameters. Working through these data obstacles can end up adding considerable unnecessary staff, resources and cost to a program.

Accurate, timely and usable data is a key driver to attaining better results and having the ability to readily work with data is fundamental to an employer effectively managing their claims program. Consolidated data, from a single source and with set point in time valuation is also important as employers need to be able to provide that accuracy and data integrity to other stakeholders within and outside their organization.

If an employer instead works with multiple vendors for their various medical programs, quickly pulling meaningful stats surrounding areas such as occupation and injury types, lost work days, tenure, cost drivers and their associated financial impact proves to be much more cumbersome and leaves potential for inaccuracy. Employers lose their ability to easily access more robust data, which also limits their ability to be responsive to jurisdictional demands, as many States are now requiring electronic data interchange (EDI) reporting as well as supplemental ad-hoc data on various aspects of insured and self-insured programs. By instead integrating all vendors' data in to one program, this streamlined process also allows for more assured compliance with jurisdictional reporting requirements.

A unified claims management process enables the employer and TPA partner to work together to quickly search all data pertaining to a claim to ensure the best programs are in place or to move more nimbly to make real-time adjustments to impact their program. Without this integrated approach to programs and data, an exhaustive hunt for answers would occur on a vendor-by-vendor basis and would take the employer and claims adjuster away from being able to apply their focus on getting injured employees back to work and resolution of the claim. Having these programs and associated data integrated allows the employer to readily use the information to impact results and drive change.

Taking Action

A unified workers compensation medical management program efficiently and cost-effectively overcomes the various challenges stated above and many more, presenting the optimal means to comprehensively evaluate the quality and extent of medical care, the accuracy and appropriateness of bills, and streamlined reporting and data integrity. All of which allows the claim adjuster to keep their focus on obtaining the best possible outcome for the injured worker and client.

This centralized approach permits the automation, standardization, and alignment of multiple billing systems in an integrated database. Using sophisticated algorithms, questionable medical treatments and potential excessive payments can be automatically routed for immediate review by a claims specialist and/or special investigative unit. Billing trends can be tracked to identify continual problem areas requiring needed improvements. Algorithmic "triggers" can be developed to identify anomalies for further review, culminating in treatments that are triaged to produce an early and sustainable return-to-work outcome.

Since this centralized program is supervised and managed by a single administrator, employers can access that organization's personnel, dedicated resources, and best practices to achieve superior case management, bill review, regulatory compliance, and best-in-class service.

These benefits would not be attainable without administratively bundling together the various services often provided by multiple parties involved in the workers compensation claims process. This unified approach is the optimal way to integrate data systems and vendor partners, allowing real time analysis of data fees by different parties to expedite actions to overcome problems and perceive immediate improvements in medical care and claim costs.

Superior medical management outcomes are elusive without bundling together the various services required to provide quality care to employees, with a focus on returning them to work in the most cost-effective manner.

What We Do

ESIS, Inc. provides comprehensive workers compensation medical care management solutions, integrating all parties within the workers compensation claims we handle for our clients. Medical and claim data is aggregated to achieve the goal of comprehensive data integration and analysis while providing the adjuster with the tools they need across every aspect of the life of the claim. Our programs are cohesively designed – from triage and nurse case management, to pharmacy, medical providers, and bill review – to effectively support the resolution of the claim.

ESIS is committed to providing consultative and innovative solutions to drive superior results for our clients.

Best-In-Class Medical Programs

Superior medical management outcomes are elusive without bundling together the various services required to provide quality care to employees, with a focus on returning them to work in the most cost-effective manner. Employers with multiple vendors managing each aspect of the process would need to set aside dedicated resources to manage these relationships which can prove costly and not provide the agility needed in today's marketplace. They also would be unable to aggregate and analyze the wide-ranging array of medical and claims data to achieve best practices and continuous improvement. By instead having an integrated program with a focused approach tying together all aspects of medical programs including bill review, case management and data within the entire claims management process, employers today can achieve stronger results allowing them to keep the focus on innovation and ultimately impact their the bottom line.

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Footnotes

1. "New Health Care Trends Drive Change for Workers Comp," IA Magazine Feb. 2016.
2. "Americans spent 8.5 percent more on prescription drugs in 2015," Chicago Tribune April 14, 2016.
3. Consumer Price Index August 2016, U.S. Bureau of Labor Statistics.
4. "Effect of Physician-Dispensed Medication on Workers Compensation Claim Outcomes," May 2014 Journal of Occupational and Environmental Medicine, by Jeffrey A. White.
5. "The High Cost of Prescription Drugs in the United States," Aaron S. Kesselheim, JAMA, August 23, 2016
6. "Medscape Physician Compensation Report 2016," Medscape, Carol Peckham.
7. "Physician outcry on HER functionality, cost will shake the health information technology sector," Medical Economics, February 10, 2014.
8. "Medical Cost Trend: Behind the Numbers 2018," PwC
9. "National Health Expenditure Projections 2015-2025," Center for Medicare & Medicaid Services.
10. "The Medical Bill Mystery," New York Times, Elisabeth Rosenthal, May 2, 2015

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